

CORRECTED FISCAL NOTE
SB 271 - HB 614

April 26, 2005

SUMMARY OF BILL: Requires use of a 136 system-level fiscal capacity model instead of a 95 county-level fiscal capacity model for funding through the BEP. Recommendation of this model is to be made by the BEP Review Committee in their annual report to the Governor due on or before November 1, 2005. Funding through the BEP formula is to be based on the system-level fiscal capacity model beginning with the FY06-07 year with a four-year transition period and fully implemented by FY09-10. The bill contains a provision which provides that a system will not receive less state funding from fiscal year to fiscal year unless resulting from enrollment reductions.

ESTIMATED FISCAL IMPACT:

On March 31, 2005, we issued a fiscal note which indicated *an increase in state expenditures of approximately \$70,000,000 with a corresponding increase in local government revenues of approximately \$70,000,000*. Based on additional information provided to us, the estimated fiscal impact of this bill is:

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Other Fiscal Impact – Implementing the system-level capacity model would result in the shifting of funds between school systems; the BEP would not generate any new state funding. However, additional state dollars would be required to hold losing systems harmless. Such increase in state expenditures is estimated to be approximately \$48,800,000 with a corresponding increase in local government revenues of approximately \$48,800,000.

Assumptions:

- The overall impact to the state is significant due to the provision which states that a school system will not receive less state funding from fiscal year to fiscal year unless resulting from enrollment reductions.
- The impact between school districts is estimated to be significant. Some school districts would generate large amounts of new state funding while other systems would be held harmless to the amount of state funding received during FY06-07.
- After taking into account all hold harmless provisions, the switch to a system level fiscal capacity index would result in an overall increase in state expenditures of approximately \$48,800,000 and an overall increase in local government revenues of approximately \$48,800,000.
- Any additional local expenditure may be absorbed into current budget to the extent that an LEA already spends at the level required by this bill. Actual impacts to LEAs would vary depending upon the four-year phase-in mechanism.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director